

CASE

NUMBER:

99-502

Index for Case: 1999-00502

AS OF : 05/23/02

BellSouth Telecommunications, Inc.

Interconnection Agreements

Regular

ARBITRATION WITH TEL-LINK

IN THE MATTER OF PETITION FOR ARBITRATION OF THE INTERCONNECTION AGREEMENT BETWEEN BELLSOUTH TELECOMMUNICATIONS, INC. AND TEL-LINK, LLC AND TEL-LINK OF FLORIDA, LLC PURSUANT TO SECTION 252(b) of the TELECOMMUNICATIONS ACT OF 1996

SEQ NBR	Date	Remarks
1	12/01/99	Petition for arbitration between BellSouth and Tel-Link, LLC & Tel-Link of FL
2	12/17/99	Acknowledgement letter.
3	(M) 03/10/00	MOTION FOR WITHDRAWAL OF PETITION FOR ARBITRATION (CREIGHTON MERSHON BELLSOUTH)
4	03/22/00	FINAL ORDER; GRANTS MOTION TO WITHDRAW PETITION FOR ARBITRATION



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-502
BELLSOUTH TELECOMMUNICATIONS, INC.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on March 22, 2000.

Parties of Record:

Honorable Creighton E. Mershon,
General Counsel - Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY. 40203

Michelle D. McKay
Director, Regulatory Affairs
Tel-Link, L.L.C.
1001 Third Avenue, West
Suite 354
Bradenton, FL. 34205

Honorable R. Douglas Lackey
Honorable Thomas B. Alexander
Counsel for BellSouth
Suite 4300, BellSouth Center
675 West Peachtree Street, N.E.
Atlanta, GA. 30375

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION FOR ARBITRATION OF THE)	
INTERCONNECTION AGREEMENT BETWEEN)	
BELLSOUTH TELECOMMUNICATIONS, INC.)	CASE NO.
AND TEL-LINK, LLC AND TEL-LINK OF)	99-502
FLORIDA, LLC PURSUANT TO SECTION 252(b))	
of the TELECOMMUNICATIONS ACT OF 1996)	

O R D E R

On December 1, 1999, BellSouth Telecommunications, Inc. ("BellSouth") filed a petition for arbitration with Tel-Link, LLC and Tel-Link of Florida, LLC ("Tel-Link") pursuant to Section 252(b) of the Telecommunications Act of 1996. In its response to the petition, Tel-Link indicated that it was in the process of selling its assets. The sale is now complete and thus there is no need for a resale agreement between BellSouth and Tel-Link.

On March 10, 2000, BellSouth moved to withdraw its petition for arbitration. The Commission finds that acceptance of the withdrawal is reasonable and hereby orders that BellSouth's motion to withdraw its petition for arbitration with Tel-Link is granted.

Done at Frankfort, Kentucky, this 22nd day of March, 2000.

By the Commission

ATTEST:


Executive Director



BellSouth Telecommunications, Inc.
P. O. Box 32410
Louisville, Kentucky 40232
or

502 582-8219
Fax 502 582-1573
Internet
Creighton.E.Mershon@bridge.bellsouth.com

Creighton E. Mershon, Sr.
General Counsel - Kentucky

BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
Louisville, Kentucky 40203

March 10, 2000

RECEIVED
MAR 10 2000
PUBLIC SERVICE
COMMISSION

Mr. Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

Re: Petition for Arbitration of the Interconnection
Agreement Between BellSouth Telecommunications, Inc.
and Tel-Link; LLC and Tel-Link of Florida, LLC Pursuant
to Section 252(b) of the Telecommunications Act of 1996
PSC 99-502

Dear Mr. Huelsmann:

Enclosed for filing in the above-captioned case are the
original and ten (10) copies of Motion of BellSouth
Telecommunications, Inc. for Withdrawal of Petition for
Arbitration.

Sincerely,

Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

200718

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 10 2000
PUBLIC SERVICE
COMMISSION

In re:)
)
Petition for Arbitration of the Resale Agreement) Docket No. 99-502
Between BellSouth Telecommunications, Inc.)
and Tel-Link, LLC and Tel-Link of Florida, LLC;)
Pursuant to the Telecommunications Act of 1996.)

**MOTION OF BELL SOUTH TELECOMMUNICATIONS, INC. FOR
WITHDRAWAL OF PETITION FOR ARBITRATION**

BellSouth Telecommunications, Inc. ("BellSouth") hereby moves to withdraw its Petition for Arbitration filed on December 1, 1999, pursuant to Section 252(b) of the Telecommunications Act of 1996, seeking resolution of certain issues arising between Tel-Link, LLC and Tel-Link of Florida, LLC ("Tel-Link") and BellSouth in the negotiation of a resale agreement. In response to BellSouth's Petition for Arbitration, Tel-Link notified the Commission in a pleading that Tel-Link was in the process of negotiating with another competitive local exchange carrier ("CLEC") to sell its assets and its business of reselling telephone service. Tel-Link has recently completed the sale of its assets and business of reselling telephone service, thus, there is no longer any need for a resale agreement between BellSouth and Tel-Link. Accordingly, BellSouth moves to withdraw its Petition for Arbitration.

Respectfully submitted this 10th day of March, 2000.



Creighton E. Mershon, Sr.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
(502) 582-8219

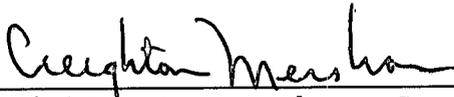
R. Douglas Lackey
Thomas B. Alexander
Suite 4300, BellSouth Center
675 West Peachtree Street, N.E.
Atlanta, GA 30375
(404) 335-0750

COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

200626

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the individuals on the attached Service List by mailing a copy thereof, this 10th day of March 2000.



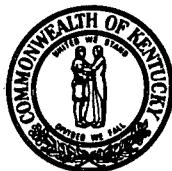
Creighton E. Mershon, Sr.

SERVICE LIST - PSC 99-502

Mr. Terry Fields
President and CEO
Tel-Link, LLC and
Tel-Link of Florida, LLC
2000 Newpoint Place Parkway, Ste. 900
Lawrenceville, GA 30043

Steve Forte, Esq.
Smith, Gambrel and Russell
Suite 900, Promenade Two
1230 Peachtree Street
Atlanta, GA 30309-3592

Michelle D. McKay
Director, Regulatory Affairs
Tel-Link, LLC
1001 Third Avenue West, Suite 354
Bradenton, FL 34205



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

December 17, 1999

Honorable Creighton E. Mershon,
General Counsel - Kentucky
BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY. 40203

Michelle D. McKay
Director, Regulatory Affairs
Tel-Link, L.L.C.
1001 Third Avenue, West
Suite 354
Bradenton, FL. 34205

Honorable R. Douglas Lackey
Honorable Thomas B. Alexander
Counsel for BellSouth
Suite 4300, BellSouth Center
675 West Peachtree Street, N.E.
Atlanta, GA. 30375

RE: Case No. 1999-502
BELLSOUTH TELECOMMUNICATIONS, INC.
(Interconnection Agreements) ARBITRATION WITH TEL-LINK

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received December 1, 1999 and has been assigned Case No. 1999-502. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

Stephanie Bell
Secretary of the Commission



BellSouth Telecommunications, Inc. 502 582-8219
P. O. Box 32410 Fax 502 582-1573
Louisville, Kentucky 40232 Internet
or Creighton.E.Mershon@bridge.bellsouth.com

Creighton E. Mershon, Sr.
General Counsel - Kentucky

BellSouth Telecommunications, Inc.
601 West Chestnut Street, Room 407
Louisville, Kentucky 40203

November 30, 1999

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, KY 40602

RECEIVED
DEC 01 1999
PUBLIC SERVICE
COMMISSION
Case No. 99-902

Re: Petition for Arbitration of the Interconnection
Agreement Between BellSouth Telecommunications, Inc.
and Tel-Link, LLC and Tel-Link of Florida, LLC Pursuant
to Section 252(b) of the Telecommunications Act of 1996
PSC 97-218

Dear Helen:

Enclosed for filing in the above-referenced matter are the original and ten (10) copies of Petition for Arbitration of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Tel-Link, LLC and Tel-Link of Florida, LLC Pursuant to Section 252(b) of the Telecommunications Act of 1996.

Sincerely,


Creighton E. Mershon, Sr.

Enclosure

cc: Parties of Record

188029

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
Petition for Arbitration of the Interconnection)
Agreement Between BellSouth Telecommunications,)
Inc. and Tel-Link, LLC and Tel-Link of Florida, LLC)
Pursuant to the Telecommunications Act of 1996.)
_____)

Docket No. 97-218

RECEIVED
DEC 01 1999
PUBLIC SERVICE
COMMISSION

PETITION OF BELL SOUTH TELECOMMUNICATIONS, INC.
FOR SECTION 252(b) ARBITRATION

Pursuant to Section 252(b) of the Telecommunications Act of 1996 ("1996 Act"), BellSouth Telecommunications, Inc. ("BellSouth") files this Petition for Arbitration ("Petition") seeking resolution of certain issues arising between Tel-Link, LLC and Tel-Link of Florida, LLC (collectively "Tel-Link") and BellSouth in the negotiation of a Resale Agreement. BellSouth states as follows:

A. STATEMENT OF FACTS

1. BellSouth is a corporation organized and existing under the laws of the State of Georgia, maintaining its principal place of business at 675 West Peachtree Street, N.E., Atlanta, Georgia 30375. BellSouth is an incumbent local exchange carrier ("ILEC") as defined by 47 U.S.C. § 251(h).

2. On information and belief, Tel-Link is a limited liability company ("LLC") organized and existing under the laws of the State of Georgia, maintaining its principal place of business at 2000 Newpoint Place Parkway, Suite 900, Lawrenceville, Georgia 30043. Upon information and belief, Tel-Link is certificated by the Kentucky Public Service Commission

("Commission") to provide Competitive Local Exchange Carrier ("CLEC") services. Additionally, upon information and belief, and pursuant to the aforementioned certificate, Tel-Link provides resold telecommunications services to customers in the State of Kentucky.

3. Pursuant to the provisions of Section 251(c) the 1996 Act, BellSouth is required to offer (through negotiation or otherwise) for resale at wholesale rates any telecommunications service that it provides at retail to subscribers who are not telecommunications carriers. *See* 47 U.S.C. § 251(c)(4). The terms of the resale agreement must comply with the provisions of Section 251(b) of the 1996 Act. *See* 47 U.S.C. § 251(b)(1).

4. Under the provisions of Section 252(d) of the 1996 Act, BellSouth must make available its retail services for resale at wholesale rates that are determined by the State Commission on the basis of the retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier. *See* 47 U.S.C. § 252(d)(3).

5. On or about June 4, 1997, BellSouth and Tel-Link entered into an agreement to govern the resale of BellSouth's retail services by Tel-Link (the "BellSouth/Tel-Link Resale Agreement"). The Commission approved the BellSouth/Tel-Link Resale Agreement on or about June 17, 1997. The term of the BellSouth/Tel-Link Resale Agreement was for two years, expiring on June 3, 1999. Pursuant to the terms of the BellSouth/Tel-Link Resale Agreement, the parties have agreed to continue service pursuant to its terms until such time as a new Resale Agreement is in effect.

6. In anticipation of the expiration of the BellSouth/Tel-Link Resale Agreement and pursuant to the terms of that agreement, BellSouth provided to Tel-Link a written request for negotiation of a new resale agreement on April 6, 1999. A copy of the letter is attached hereto as

Exhibit "A". BellSouth advised Tel-Link that it was providing notice, pursuant to and in compliance with Section 251(c)(1) of the 1996 Act, of BellSouth's request to commence good-faith negotiations toward a new agreement. BellSouth included a copy of BellSouth's Standard Resale Agreement for Tel-Link's review. Although Tel-Link did not provide a written response to BellSouth's letter of April 6, 1999, the parties did begin negotiations shortly thereafter.

7. Since April 6, 1999, BellSouth and Tel-Link have been negotiating a new resale agreement. However, the parties were not able to complete these negotiations. Rather than seeking arbitration when the original arbitration window closed on September 13, 1999, the parties agreed to continue negotiating and to extend the negotiation period. By mutual agreement of the parties, the date that the formal request to start the negotiations for a new resale agreement was deemed to be June 23, 1999. Thus, the parties also mutually agreed that the date that the arbitration window closes is November 30, 1999. A copy of the September 23, 1999, letter wherein the parties agreed to extend their negotiations and the time for arbitration is attached hereto as Exhibit "B".

8. Although the parties discussed a number of issues and questions regarding the existing resale agreement that could affect the new agreement, Tel-link did not propose any contract language to BellSouth for discussion. In a good faith effort to bring the parties' negotiations to a resolution prior to the expiration of the arbitration window, BellSouth wrote a letter to Tel-Link on November 16, 1999, providing a summary of the negotiations and suggesting a timeline for the remainder of the parties' time for negotiations. A copy of the letter is attached hereto as Exhibit "C". In this letter, BellSouth confirmed its understanding that the only unresolved contractual issue from the negotiations related to Tel-Link's concerns over charges for Tel-link's access to BellSouth's operations support systems ("OSS").

B. JURISDICTION AND TIMING

9. Pursuant to Section 252(b)(1) of the 1996 Act, which allows either party to the negotiation to request arbitration, this Commission is empowered to arbitrate any and all unresolved issues regarding Tel-link's purchase, at wholesale rates, of BellSouth's retail services. BellSouth's Petition is filed with the Commission between the 135th and 160th day from the date that the negotiations were deemed to have commenced. This Commission must resolve each issue set forth in this Petition not later than nine (9) months after the date on which Tel-link received the request for negotiation from BellSouth, which, based upon the parties' agreed upon extension of time, is on or before March 23, 2000.

C. STANDARD OF REVIEW

10. The Federal Communications Commission ("FCC") established the appropriate standard for arbitration under Sections 251 and 252 of the 1996 Act in its First Report and Order, *Implementation of the Local Competition provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98 ("First and Report and Order"). Pursuant to the FCC's First Report and Order, this Commission must ensure that resolution of issues in an arbitration satisfy Section 251 of the 1996 Act, including regulations promulgated by the FCC.

D. ISSUES FOR ARBITRATION

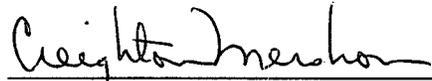
11. Pursuant to Section 252(b)(2) of the 1996 Act, the unresolved issue between Tel-Link and BellSouth is provided below in the form of a matrix of the unresolved issues as understood by BellSouth and the respective position of the parties. The sole issue in dispute concerns the appropriate rates that Tel-Link should pay for access to and use of the electronic and manual interfaces to BellSouth's OSS.

ISSUE DESCRIPTION	PETITIONER'S POSITION	RESPONDENT'S POSITION	FCC RULING
What are the appropriate rates to be charged by BellSouth for CLECs' access to and use of the electronic and manual interfaces to BellSouth's OSS and functions?	The 1996 Act and the FCC's rules allow BellSouth to recover costs associated with developing, providing, and maintaining the electronic and manual interfaces to allow CLECs, such as Tel-Link, to access BellSouth's OSS. This Commission previously recognized BellSouth's right to recover these costs, and BellSouth is proposing cost-based rates for electronic and manual OSS access.	Tel-link disagrees with the level of some of the OSS charges and with certain instances when the OSS charges should be applied to CLECs.	First Report and Order, CC Docket 96-98, ¶¶ 682 and 690 (Aug. 8, 1996) Third Report and Order, CC Docket 96-98, ¶¶ 425-426 (Nov. 5, 1999)

E. CONCLUSION

WHEREFORE, BellSouth respectfully requests that the Commission arbitrate the issue set forth in this Petition and enter an Order directing that BellSouth's position on the issue raised herein be incorporated into the Resale Agreement between Tel-link and BellSouth. Further, BellSouth requests such other, more general or specific relief as is just and proper under the circumstances.

Respectfully submitted this 30th day of November, 1999.



CREIGHTON E. MERSHON, SR.
601 W. Chestnut Street, Room 407
P. O. Box 32410
Louisville, KY 40232
(502) 582-8219

R. DOUGLAS LACKEY
THOMAS B. ALEXANDER
Suite 4300, BellSouth Center
675 West Peachtree Street, N.E.
Atlanta, GA 30375
(404) 335-0750

COUNSEL FOR BELL SOUTH
TELECOMMUNICATIONS, INC.

187706

BellSouth Interconnection Services

675 West Peachtree Street, NE
Room 34S91
Atlanta, Georgia 30375



David W. Hitt
(404) 927-7518
Fax: (404) 529-7839

Sent via U.S. Mail

Exhibit A

April 6, 1999

Mr. Rod Aycox
President
Tel-Link, LLC and Tel-Link of Florida, LLC
2851 Piedmont Road
Suite C-1135
Atlanta, GA 30324

Re: Request that Tel-Link, LLC and Tel-Link of Florida, LLC engage in negotiations with BellSouth Telecommunications, Inc. pursuant to Section 251(c)(1) of the Telecommunications Act of 1996

Dear Mr. Aycox:

On June 4, 1997, BellSouth Telecommunications, Inc. ("BellSouth") and Tel-Link, LLC and Tel-Link of Florida, LLC ("Tel-Link") entered into an agreement for the provision of resale in the state(s) of Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee (the "Agreement"). The expiration date for that Agreement is June 3, 1999. BellSouth is hereby requesting that Tel-Link commence good-faith negotiations with BellSouth to enter into a new agreement in compliance with Section 251(c)(1) of the Communications Act of 1934, as amended ("Act").

In an effort to move the negotiation process along a copy of the BellSouth Standard Resale Agreement is herein provided for your review. Once you have had an opportunity to review the proposed agreement, please contact me with questions. If need be, we will begin scheduling meetings between the companies to address issues raised by Tel-Link as a result of such review.

BellSouth looks forward to working with Tel-Link in reaching a mutually agreeable Resale Agreement. Should you have questions regarding this, please do not hesitate to call me.

Sincerely,

A handwritten signature in dark ink, appearing to read "David W. Hitt".

David W. Hitt
Manager-Interconnection Services

cc: Mr. Jerry Hendrix
Ms. Parkey Jordan



BellSouth Interconnection Services

675 West Peachtree Street NE
Room 3459
Atlanta, Georgia 30375

David W. Hitt
(404) 927-7518
Fax: (404) 629-7639

Via Facsimile

Exhibit B

September 23, 1999

Ms. Michelle McKay
Tel-Link, LLC and Tel-Link of Florida, LLC
1001 Third Avenue West
Suite 354
Bradenton, FL 34205

**Re: Negotiations between BellSouth Telecommunications, Inc. and Tel-Link, LLC
and Tel-Link of Florida, LLC**

Dear Michelle:

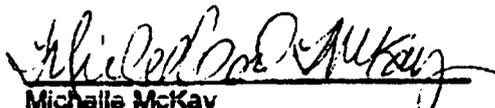
Subsequent to your signature of the 9/9/99 letter of negotiations extension, the Parties have agreed to extend the negotiations' window even further. Please sign below to indicate your concurrence that the official start of renegotiations will be deemed to have been June 23, 1999. Therefore, the arbitration window will be from November 5, 1999, to November 30, 1999.

Please return this document to me by facsimile. Call if you have any questions.

Sincerely,

David W. Hitt
Manager-Interconnection Services

Concurrence:


Michelle McKay
Tel-Link, LLC

BellSouth Interconnection Services

675 West Peachtree Street, NE
Room 34S91
Atlanta, Georgia 30375

 **BELLSOUTH**

David W. Hitt
(404) 927-7518
Fax: (404) 529-7839

Sent Via Facsimile

Exhibit C

November 16, 1999

Ms. Michelle McKay
Tel-Link, LLC and Tel-Link of Florida, LLC
1001 Third Avenue West
Suite 354
Bradenton, FL 34205

Dear Michelle:

Per your request from earlier this Fall, BellSouth agreed to extend negotiations with Tel-Link in order to accommodate the needs of your organization for additional time to consider the various options available to your business.

In previous months, Tel-Link raised concerns regarding charges for use of BellSouth's Operational Support Systems (OSS) to which BellSouth provided explanation of the purpose for and the manner in which these charges would be assessed pursuant to BellSouth's Resale Standard Agreement. BellSouth and Tel-Link also engaged in numerous discussions on the Loop/Port UNE-platform. Aside from the aforementioned, I have not heard of any other specific issues that Tel-Link wishes addressed in these negotiations.

Since the extension of the negotiation, Tel-Link has not contacted BellSouth to discuss further any other items nor has Tel-Link submitted any proposals for contract modifications. BellSouth nevertheless remains willing to answer any additional questions and to negotiate the Resale Agreement.

As we discussed in our phone conversation earlier this afternoon, the statutory time frame within which the Parties must submit unresolved issues to the appropriate state regulatory authorities will close at the end of this month. I appreciate your offer to follow-up shortly with me on these matters and ask that we might review such items tomorrow regarding Tel-Link's choice of direction for the negotiations, and if there are any other issues besides the OSS issue that Tel-Link believes remain unresolved between the Parties.

In regards to your indication that Tel-Link might request a further extension for negotiations, I do not believe that BellSouth is inclined to grant such a request. In the absence of the Parties being able to resolve the issues, BellSouth will likely begin preparations for the arbitration filings in all nine states in accordance with the required statutory time frames.

I would appreciate your responsiveness in contacting me tomorrow.

Sincerely,



David W. Hitt
Manager-Interconnection Services

Cc: Parkey Jordan, Esq.
Bennett Ross, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on the following individuals by mailing a copy thereof, this 30th day of November 1999.


Creighton E. Mershon, Sr.

Mr. Terry Fields
President and CEO
Tel-Link, LLC and Tel-Link of Florida, LLC
2000 Newpoint Place Parkway, Suite 900
Lawrenceville, GA 30043

Steve Forte, Esq.
Smith, Gambrel and Russell
Suite 900, Promenade Two
1230 Peachtree Street
Atlanta, GA 30309-3592



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 24, 2000

James M. Walser
President
Pioneer Village Sewerage System
Plant #1, Inc.
4846 Brownsboro Center
Louisville, KY. 40207

Mr. Gary Swallows
12220 Dulcie Court
Louisville, KY. 40229

Honorable David E. Spenard
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY. 40601 8204

RE: Case No. 1999-503

We enclose one attested copy of the Commission's Orders in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PIONEER VILLAGE)
SEWERAGE SYSTEM PLANT #1, INC. FOR)
AN ADJUSTMENT OF RATES PURSUANT) CASE NO. 99-503
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

This matter arising upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed January 19, 2000, pursuant to KRS 367.150(8), for full intervention, such intervention being authorized by statute, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that the motion is granted, and the Attorney General is hereby made a party to these proceedings.

Done at Frankfort, Kentucky, this 24th day of January, 2000.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PIONEER VILLAGE)
SEWERAGE SYSTEM PLANT #1, INC. FOR)
AN ADJUSTMENT OF RATES PURSUANT) CASE NO. 99-503
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

ORDER

On December 20, 1999, Pioneer Village Sewerage System Plant #1, Inc. ("Pioneer Village") filed its application for Commission approval of proposed sewer rates. Commission Staff, having performed a limited financial review of Pioneer Village's operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 24th day of January, 2000.

ATTEST:

By the Commission


Executive Director

STAFF REPORT
ON
PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.
CASE NO. 99-503

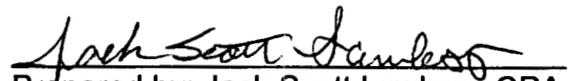
Pursuant to a request by Pioneer Village Sewerage System Plant #1, Inc. ("Pioneer Village") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Pioneer Village's test year operations, the calendar year ending December 31, 1998. The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

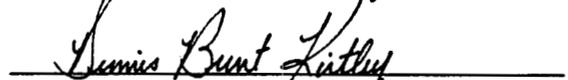
Upon completion of the review, Staff assisted Pioneer Village in the development and preparation of a rate application. The application included an adjusted pro forma operating income statement wherein adjustments were made to test year operating revenues and expenses that were known and measurable and deemed to be reasonable. The rates proposed by Pioneer Village were based on the pro forma income statement as shown in Attachment A of the application. Attachment A also includes the calculation of Pioneer Village's revenue requirement using an 88 percent operating ratio. The required revenue from rates was determined to be \$145,570. The proposed monthly flat rate of \$16.00 will produce the required revenue. The calculation of the proposed rate is shown in Attachment C of the application.

On December 20, 1999, Pioneer Village filed its rate application to the Commission for consideration. Staff is hereby adopting the contents of that application

as its recommendation in this report as if fully set out herein. Brent Kirtley is responsible for all revenue adjustments and calculation of the proposed rates. Scott Lawless is responsible for the determination of the revenue requirement. Based on the information included in Pioneer Village's application, Staff is of the opinion that the rates proposed by Pioneer Village, as shown in Attachment A of this report, are reasonable and should be approved by this Commission.

Signatures


Prepared by: Jack Scott Lawless, CPA
Financial Analyst, Water and Sewer
Revenue Requirements Branch
Division of Financial Analysis


Prepared by: Brent Kirtley
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 99-503
STAFF'S RECOMMENDED RATES

Monthly Sewer Rates

Single Family Residential

\$16.00 per month

Commercial Customers Using More Than
12,000 Gallons of Water per Month

\$16.00 per residential equivalent ¹

¹One residential equivalent is equal to 12,000 gallons.

Commonwealth of Kentucky
Before the Public Service Commission

RECEIVED

JAN 19 2000

PUBLIC SERVICE
COMMISSION

In the Matter of:)
ALTERNATIVE RATE FILING OF PIONEER) Case No. 99-503
VILLAGE SEWERAGE PLANT #1, INC.)

MOTION TO INTERVENE

Comes now the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, pursuant to KRS 367.150(8), and moves to intervene in the above-styled proceeding. The Attorney General requests that he be permitted to intervene as a party to the fullest extent permitted by law in order to execute his statutory duties pursuant to KRS 367.150(8).

Respectfully submitted,

A. B. CHANDLER III
ATTORNEY GENERAL

David Edward Spenard
David Edward Spenard
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601-8204
502.696.5457

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of this Motion to Intervene were served and filed by hand delivery to the Hon. Helen C. Helton, Executive Director, Public Service Commission 730 Schenkel Lane, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to, James M. Walser, Pioneer Village Sewerage System Plant #1, Inc., 4846 Brownsboro Center, Louisville, Kentucky 40207, and Gary Swallows, 12220 Dulcie Court, Louisville, Kentucky 40229, all on this 19th day of January, 2000.

David E. Spauld
Assistant Attorney General



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 10, 2000

James M. Walser
President
Pioneer Village Sewerage System
Plant #1, Inc.
4846 Brownsboro Center
Louisville, KY. 40207

Mr. Gary Swallows
12220 Dulcie Court
Louisville, KY. 40229

RE: Case No. 1999-503

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell". The signature is written in a cursive, flowing style.

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF PIONEER VILLAGE)
SEWERAGE SYSTEM PLANT #1, INC. FOR)
AN ADJUSTMENT OF RATES PURSUANT) CASE NO. 99-503
TO THE ALTERNATIVE RATE FILING)
PROCEDURE FOR SMALL UTILITIES)

O R D E R

This matter arising upon the motion of Gary Swallows for full intervention, and it appearing to the Commission that Mr. Swallows has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of Gary Swallows to intervene is granted.
2. Mr. Swallows shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.
3. Should Mr. Swallows file documents of any kind with the Commission in the course of these proceedings, he shall also serve a copy of said documents on all other parties of record.

Done at Fränkfort, Kentucky, this 10th day of January, 2000.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 4, 2000

James M. Walser
President
Pioneer Village Sewerage System
Plant #1, Inc.
4846 Brownsboro Center
Louisville, KY. 40207

RE: Case No. 1999-503
PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

P.S.C. KY. NO. 1

CANCELLING P.S.C. KY. NO. _____

PIONEER VILLAGE SEWERAGE PLANT #1, INC.

(UTILITY)
OF

4846 BROWNSBORO CENTER ARCADE, LOUISVILLE, KENTUCKY 40207

(CITY)

RATES, RULES, AND REGULATIONS FOR FURNISHING

SEWER SERVICE

AT

NORTHERN PORTION OF BULLITT COUNTY

(LOCATION)

FILED

DEC 20 1999

PUBLIC SERVICE
COMMISSION

FILED WITH THE
PUBLIC SERVICE COMMISSION
OF
KENTUCKY

RECEIVED

DEC 20 1999

PUBLIC SERVICE
COMMISSION
09-503

ISSUED _____

EFFECTIVE _____

ISSUED BY

PIONEER VILLAGE SEWERAGE
SYSTEM PLANT #1, INC.

Name of Utility

BY

(SIGNATURE)
JAMES M. WALSER, PRESIDENT

RECEIVED

DEC 28 1999

PUBLIC SERVICE
COMMISSION

Date December 21, 1999

Executive Director Public Service Commission
730 Schenkel Lane
Frankfort, Ky. 40602

C.V. 99-503

Attention Executive Director Public Service Commission:

I am sumitting this letter in writing to intervne the Pioneer Village Sewerage System Plant #1. Proposed rate increase. From \$11.25 to \$16.00 a 42.26% rate increase. As a concerned citizen I feel there should be a 4.0% rate increase not a 42.26% rate increase. I also have been trying to get application from 4844 Brownsboro Center Louisville, Ky 40207 to summit to you with this letter in writing. But have not been successful, because no such place exist.

Sincerely,

Gary Swallows
12220 Dulcie Ct.
Louisville, KY 40229.

Copy

December 14, 1999

Dear Customer:

The rates contained in this notice are the rates proposed by Pioneer Village Sewerage System Plant #1, Inc. . However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in the notice. Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, PO Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the movant.

Copies of the application may be obtained at no charge from Pioneer Village Sewerage System Plant #1, Inc. at 4844 Brownsboro Center Louisville, Kentucky 40207.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

<u>CUSTOMER CLASS</u>	<u>PRESENT RATE</u>
Single	11.25
Commercial	11.25

<u>PROPOSED RATE</u>	<u>PERCENT INCREASED</u>
16.00	42.26%
16.00	42.26%



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

December 20, 1999

James M. Walser
President
Pioneer Village Sewerage System
Plant #1, Inc.
4846 Brownsboro Center
Louisville, KY. 40207

RE: Case No. 1999-503
PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.
(Rates - ARF)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received December 20, 1999 and has been assigned Case No. 1999-503. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/jc

CASE

99-503

P.S.C. KY. NO. 1

CANCELLING P.S.C. KY. NO. _____

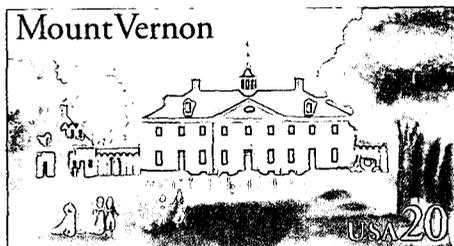
PIONEER VILLAGE SEWERAGE PLANT #1, INC.

(UTILITY)
OF

4846 BROWNSBORO CENTER ARCADE, LOUISVILLE, KENTUCKY 40207

(CITY)

RATES, RULES, AND REGULATIONS FOR FURNISHING



FILED

DEC 20 1999

PUBLIC SERVICE
COMMISSION

RECEIVED

DEC 20 1999

PUBLIC SERVICE
COMMISSION
99-503

OF
KENTUCKY

ISSUED _____

EFFECTIVE _____

ISSUED BY

PIONEER VILLAGE SEWERAGE
SYSTEM PLANT #1, INC.

Name of Utility

BY

(SIGNATURE)

JAMES M. WALSER, PRESIDENT

FOR NORTHERN PORTION OF BULLITT COUNTY
Community, Town or City

P.S.C. KY. NO. 1

ORIGINAL SHEET NO. 1

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

CLASSIFICATION OF SERVICE

	RATE PER UNIT
SINGLE FAMILY RESIDENTIAL	\$16.00
LARGE COMMERCIAL CUSTOMER	\$16.00 PER RESIDENTIAL EQUILENT**

** DETERMINED BY DIVIDING THE NUMBER OF GALLONS USED PER MONTH BY 12,000. WHEN LESS THAN 12,000 GALLONS PER MONTH IS USED, THE MINIMUM BILL OF \$16.00 IS APPLIED.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE PRESIDENT

Issued by authority of an Order of the Public Service Commission of Kentucky
in Case No. 1 dated _____

FOR NORTHERN PORTION OF BULLITT COUNTY
Community, Town or City

P.S.C. KY. NO. 1

SHEET NO. _____

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC. CANCELLING P.S.C. KY. NO. _____
(Name of Utility)

SHEET NO. _____

RULES AND REGULATIONS

This schedule of Rules and Regulations governs the furnishing of sewage service by PIONEER VILLAGE SEWAGE SYSTEM PLANT #1, hereinafter referred to as the utility and applies effect so long as they are not in conflict with the rules and regulations of the Public Service Commission. The Utility is further subject to all Rules and Regulations of the Public Service Commission.

SERVICE AREA

The utility furnishes sewer service to MARYVILLE, SUMMIT HILLS & SPRING MEADOW ESTATES
(Subdivision)
& PATIO HOMES located at PIONEER VILLAGE in BULLITT County, Kentucky.
(City)

SUBSTANCES NOT TO BE DISCHARGED INTO SEWERS

No substances shall be placed into the sanitary sewer system which will create a combustible, gaseous, explosive or inflammable condition nor shall any substances or objects be placed or discharged into the system which will not dissolve and which will thus cause an obstruction and clogging within the system. No petroleum products shall be placed or discharged into the system. No storm water or surface water drain shall be connected with the sanitary sewer system nor shall any storm or surface water be otherwise introduced into the system.

SEWER LINES

A sewer service pipe shall not be laid in the same trench with a water pipe.

If a governmental agency requires an inspection of the customer's plumbing, the Utility shall not connect the customer's service pipe until it has received notice from the inspection agency certifying that the customer's plumbing is satisfactory. When necessary to move or relocate facilities, the cost will be paid by the party or parties requesting such relocation.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

ADDRESS _____

For Northern Portion of Bullitt County

P.S.C. KY NO. 1

SHEET NO. 2

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, Inc.
(Utility)

CANCELING P.S.C. KY NO. _____

SHEET NO. _____

RULES AND REGULATIONS

SEWER FAILURE

The utility is responsible for the maintenance of that portion of the service line installed by the utility and the customer is responsible for the maintenance of that portion installed by the customer.

PROTECTION BY CONSUMER

The consumer shall protect the equipment of the utility on his premises and shall not interface with the utilities property or permit interference except by duly authorized representatives of the utility.

NOTICE OF TROUBLE

The consumer shall give immediate notice to the utility of any irregularities or unsatisfactory service and of any known defects.

CONNECTION CHARGES

Normal connections to existing sewer lines shall be made without charge for a prospective customer who applies for and contracts to use service for one (1) year or more. Any such connection made at the property line of a prospective customer shall be classified as a normal connection.

Any prospective customer, and any subdivider, developer, contractor, or other entity which is not a prospective customer, requiring service for a defined undeveloped area that is determined feasible to serve, will be charged the full cost of installation. In such instances the prospective customer, subdivider, developer, contractor, or other entity which is not a prospective customer will be charged a contribution in aid of construction.

If any prospective customer is directly charged a contribution in aid of construction, the contribution charged shall be subject to Public Service Commission approval. If any subdivider, developer, contractor, or any other entity which is not a prospective customer is directly charged a contribution in aid of construction, the contribution charged shall be subject to negotiation between the utility and the subdivider, developer, contractor or other entity which is not a prospective customer, and such charge shall not be subject to Public Service Commission approval.

DATE OF ISSUES _____ DATE EFFECTIVE _____
MONTH DATE YEAR MONTH DATE YEAR

ISSUED BY: _____ BY: _____
SIGNATURE OF OFFICER ADDRESS

For Northern Portion of Bullitt County

P.S.C. KY NO. 1

SHEET NO. 3

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, Inc.
(Utility)

CANCELING P.S.C. KY NO. _____
SHEET NO. _____

RULES AND REGULATIONS

Any customers ultimately connected under this arrangement shall be charged according to the utility's current approved rates filed with the Public Service Commission.

For the purposes of this provision the term "prospective customer" shall mean any person, firm or corporation which expresses an intent to become an ultimate user or customer of the utility at the time of the contribution in aid of construction is charged. A subdivider, developer or contractor is not considered a "prospective customer" for purposes of this section.

DISCONTINUANCE OF SERVICE BY THE UTILITY

The utility may refuse or terminate service for noncompliance with its tariffed rules or commission regulations after having made a reasonable effort to obtain customer compliance. Said customer will be given at least ten (10) days written notice prior to termination.

If a dangerous condition is found to exist service may be terminated without notice however, the utility will notify the customer in writing and if possible orally of the reasons for termination or refusal. The notice will be recorded along with the corrective action to be taken by the customer or the utility before service is restored or provided.

The utility may terminate service for nonpayment of tariffed charges after a five (5) day written notice of intent to terminate. Service will not be terminated before twenty (20) days after the mailing date of the original bill. If a medical certificate is presented service will not be terminated for thirty (30) days beyond the termination date.

When payments are delinquent the utility may file a complaint in court. The utility may request that all court cost be included in any judgment amount awarded to the utility.

DISCONTINUANCE AT CUSTOMER'S REQUEST

Customers who have fulfilled their contract terms and wish to discontinue service must give at least three (3) days notice. The notice may be given in writing, in person or via telephone. Notice to discontinue prior to expiration of contract term will not relieve the customer from any minimum or guaranteed payment.

DATE OF ISSUES _____ DATE EFFECTIVE _____
MONTH DATE YEAR MONTH DATE YEAR

ISSUED BY: _____ BY: _____
SIGNATURE OF OFFICER ADDRESS

For Northern Portion of Bullitt County

P.S.C. KY NO. 1

SHEET NO. 4

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, Inc.
(Utility)

CANCELING P.S.C. KY NO. _____
SHEET NO. _____

RULES AND REGULATIONS

BILLING, COLLECTION, PENALTIES

Bills for sewage service furnished by the sewer system will be mailed on a bi-monthly schedule of and by the Louisville Water Company and will be payable within ten (10) days after date. A ten percent (10%) late payment penalty charge will be applicable after the due date.

DEPOSITS

The Utility may require a deposit not to exceed 2/12 of the estimated annual bill of the applicant for service. Interest will accrue on the deposit at the rate prescribed by law and will be refunded on an annual basis, unless the customer's bill is delinquent on the anniversary date of the deposit.

DATE OF ISSUES _____ DATE EFFECTIVE _____
MONTH DATE YEAR MONTH DATE YEAR

ISSUED BY: _____ BY: _____
SIGNATURE OF OFFICER ADDRESS

APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

For Small Utilities
Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Pioneer Village Sewerage System Plant #1, Inc.

Name of Utility

4846 Brownsboro Center Arcade

Louisville, Kentucky 40207

Business Mailing Address

Telephone Number (502) / 895-4273

Area Code Number

I. Basic Information

NAME, TITLE, ADDRESS and telephone number of the person to whom correspondence or communications concerning this application should be directed:

NAME: James M. Walser, President

Address: Same as above

Telephone Number:

- | | | | |
|----|---|-----|----|
| 1) | Do you have 500 customers or fewer? | Yes | No |
| 2) | Do you have \$300,000 in Gross Annual Revenue or less? | Yes | No |
| 3) | Has the utility filed an annual report with this Commission for the past year and the two previous years? | Yes | No |
| 4) | Are the utility's records kept separate from any other commonly-owned enterprise? | Yes | No |

NOTICE: To be eligible for consideration of a rate adjustment under this regulation, you must have answered yes to either question 1 or 2 and yes to both questions 3 and 4 above. If you answer no to questions 3 or 4, you must obtain written approval from the Commission prior to filing this Application. If these requirements are not met, you must file under the Commission's procedural rules, 807 KAR 5:001.

II. Increased Cost Information

(1) The most recent Annual Report will be used as the basic test period data in order to determine the reasonableness of the proposed rates. The Annual Report used as the basis for this rate revision is the one filed with the Commission for the 12 months ending December 31, 1998.

a. If you have reason to believe some of the items of revenue and expense listed in the Annual Report will increase or decrease, please list each item, the expected increase or decrease and the adjusted amount.

<u>Item Per</u> <u>Annual Report</u>	<u>Amount Per</u> <u>Annual Report</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Adjusted</u> <u>Amount</u>
<u>Revenue</u>	\$ _____	\$ _____	\$ _____
Total Revenue	\$ _____	\$ _____	\$ _____

Expense

See Attachment A

Total Expense	\$ _____	\$ _____	\$ _____
Revenue Less Expense	\$ _____	\$ _____	\$ _____

- b. Please describe each item that you adjusted on page 2 and how you know it will change. (Please attach invoices, letters, contracts or receipts which will help in proving the change in cost).

See Attachment A

- c. Please list your present and proposed rates for each class (i.e., residential, commercial, etc.) of customer and the percentage of increase proposed for each class:

<u>Customer Class</u>	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
-----------------------	----------------------	-----------------------	-------------------------

See Attachment C

III. Other Information

a. Please complete the following questions:

- 1) Please describe any events or occurrences which may have an effect on this rate review that should be brought to the Commission's attention (e.g., excessive line losses, major repairs, planned construction).

None.

2) Total number of customers as of the date of filing: 755

3) Total amount of increased revenue requested: \$43,240

4) Please circle Yes or No:

a) Does the utility have outstanding indebtedness? Yes No

If yes, attach a copy of any documents such as promissory notes, bond resolutions, mortgage agreements, etc.

See Attachment D. Debt approved by the Commission in Case No. 96-490.

b) Were all revenues and expenses listed in the Annual Report for 1998 incurred and collected from January 1 to December 31 of that year? Yes No

If no, list total revenue and total expense incurred prior to or subsequent to this period and attach invoices or other analysis which show how amounts were calculated.

5) Attach a copy of the utility's depreciation schedule of utility plant in service. Reconcile any differences between total depreciation shown on the Annual Report for 1998 and the amount shown on this schedule.

6) ^{See Attachment B} If utility is a sewer utility:

a) Attach a copy of the latest State and Federal Income Tax Returns.

b) ^{See Attachment E} How much of the utility plant was recovered through the sale of lots or other contributions _____ \$ or %? (If unknown, state the reason.)

\$125,896 was contributed by developers (unrelated) for the "1995 plant addition". See Item D of Attachment A

b. Please state the reason or reasons why a rate adjustment is requested. (Attach additional pages if necessary).

Additional revenues are required to meet current operating costs.

IV. Billing Analysis

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of this rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included. Although the sample reflects water usage, it is equally applicable for gas companies using a declining block rate design. This billing analysis is not intended for companies using a flat rate design.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step.

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Column Nos. 4, 5, 6, 7, 8, and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contain the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns numbered 2 and 3 are completed by using information obtained from usage records.

Columns numbered 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less, therefore,
all usage is recorded in Column 4.

Step 2: Next 3,000 gallons rate level
1,735 Bills
4,858,000 gallons used
1st 2,000 minimum x 1,735 bills = 3,470,000
gallons - record in Column 4
Next 3,000 gallons - remainder of water over
2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 1st 2,000 minimum x 1,830 bills = 3,660,000
 gallons - record in Column 4
 Next 3,000 gallons x 1,830 bills = 5,490,000
 gallons - record in Column 5
 Next 10,000 gallons - remainder of water over 3,000
 = 7,118,700 gallons - record in Column 6

Step 4: Next 25,000 gallons rate level
 650 Bills
 15,275,000 gallons used
 1st 2,000 minimum x 650 bills = 1,300,000
 gallons - record in Column 4
 Next 3,000 gallons x 650 bills = 1,950,000
 gallons - record in Column 5
 Next 10,000 gallons x 650 bills = 6,500,000
 gallons - record in Column 6
 Next 25,000 gallons - remainder of water over 10,000
 = 5,525,000 gallons - record in Column 7

Step 5: Over 40,000 gallons rate level
 153 Bills
 9,975,600 gallons used
 1st 2,000 minimum x 153 bills = 306,000
 gallons - record in Column 4
 Next 3,000 gallons x 153 bills = 459,000
 gallons - record in Column 5
 Next 10,000 gallons x 153 bills = 1,530,000
 gallons - record in Column 6
 Next 25,000 gallons x 153 bills = 3,825,000
 gallons - record in Column 7
 Over 40,000 gallons - remainder of water over 25,000
 = 3,855,600 gallons - record in Column 8

Step 6: Total each column for transfer to Revenue Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7, and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

V. General Information/Customer Notice

1) Filing Requirements:

a. If the applicant is a corporation, a certified copy of its articles of incorporation must be attached to this application. If the articles and any amendments thereto have already been filed with the Commission in a prior proceeding, it will be sufficient to state that fact in the application and refer to the style and case number of the prior proceeding.

b. An original and 10 copies of the completed application should be sent to:

Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P. O. Box 615
Frankfort, Kentucky 40602

Telephone: 502/564-3940

c. One copy of the completed application should also be sent at the same time to:

Public Service Litigation Branch
Office of the Attorney General
Post Office Box 2000
Frankfort, Kentucky 40602-2000

2) A copy of the customer notice must be filed with this application. Proper notice must comply with Section 4 of this regulation.

3) Copies of this form and the regulation may be obtained from the Commission's Office of Executive Director; or by calling 502/564-3940.

4) I have read and completed this application, and to the best of my knowledge all the information contained in this application is true and correct.

Signed James M. Walshe
Officer of the Company
Title President
Date 12-7-1999

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.

4846 BROWNSBORO CENTER ARCADE • LOUISVILLE, KENTUCKY 40207

December 7, 1999

PIONEER VILLAGE (a.)

RE: Statement on Articles of Corporation

A certified copy of the Articles of Incorporation and any amendments thereto were submitted previously to the Public Service Commission as part of the proceedings for the plants expansion in PSC Case No. 96-490.

Sincerely,

James M. Walser, President
JOHN A. WALSER, INC.

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.

4846 BROWNSBORO CENTER ARCADE • LOUISVILLE, KENTUCKY 40207

December 7, 1999

Dear Customer:

The rates contained in this notice are the rates proposed by Pioneer Village Sewer Plant #1. However, the public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice,, Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate change is given. A motion to intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, PO Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the movant.

Copies of the application may be obtained at no charge from Pioneer Village Sewer Plant #1, Inc. at 4844 Brownsboro Center Louisville, Kentucky 40207.

Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents.

<u>Customer Class</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Percent Increase</u>
Single Family	11.25	16.00	42.26 %
Commercial	11.25	16.00	42.26 %

Attachment A

Pioneer Village Plant #1
Adjusted Operating Income Statement, Calculation of Revenue Requirement, and
Explanation of Adjustments

	Test Year	Adjustments	Ref.	Pro forma Present Rates	Adjustments	Pro forma Proposed Rates
Operating Revenues From Flat Rates	96,906	5,424	(A)	102,330	43,240	145,570
Operation and Maintenance Expenses						
Sludge Hauling	9,631			9,631		9,631
Utility Service - Water Costs	2,060			2,060		2,060
Other-Labor, Materials and Expenses	16,823			16,823		16,823
Fuel and Power Purchased for Pumping	25,330			25,330		25,330
Chemicals	3,666			3,666		3,666
Miscellaneous Supplies and Expenses	1,035			1,035		1,035
Maintenance of Treatment and Disposal Plant	16,495	(1,589)	(B)	14,906		14,906
Agency Collection Fee	4,943			4,943		4,943
Uncollectible Accounts	564			564		564
Administrative and General Salaries	20,000	(16,400)	(C)	3,600		3,600
Office Supplies and Other Expenses	603			603		603
Outside Services Employed	5,468			5,468		5,468
Insurance Expense	907			907		907
Employee Pensions and Benefits	2,000	(2,000)	(C)	-		-
Transportation Expenses	394			394		394
Miscellaneous General Expenses	61			61		61
Rents	1,500			1,500		1,500
Total Operation and Maintenance Expenses	111,480	(19,989)		91,491	-	91,491
Depreciation Expense	23,072	(5,033)	(D)	18,039		18,039
Taxes Other Than Income Taxes	3,640	(1,320)	(E)	2,320		2,320
Total Operating Expenses Before Income Taxes	138,192	(26,342)		111,850	-	111,850
Net Operating Income Before Income Taxes	(41,286)	31,766		(9,520)	43,240	33,720
CALCULATION OF REVENUE REQUIREMENT						
Pro forma operating expenses before taxes	111,850					
Divide by: Operating ratio	88%					
Total revenue required before taxes	127,102					
Less: Pro forma operating expenses before taxes	(111,850)					
Net income allowed after taxes	15,252					
Multiply by: Tax gross up factor ¹	123.8390%					
Net operating income before taxes	18,888					
Plus: Operating expenses before taxes	111,850					
Interest allowed on long term debt	14,832		(F)			
Revenue Requirement	145,570					
¹ CALCULATION OF TAX GROSS-UP FACTOR						
Revenue	100.00000%					
Less: State tax	5.00000%					
Sub-total	95.00000%					
Less: Federal tax, 15% of sub-total	-14.25000%					
Percent change in NOI	80.75000%					
Revenue conversion factor (Revenue of 1 divided by percent change in NOI)	123.83901%					

Attachment A

Pioneer Village Plant #1
Adjusted Operating Income Statement, Calculation of Revenue Requirement, and
Explanation of Adjustments

(A)

To normalize operating revenues for current number of customers.

Current monthly charge for single family residential dwelling	11.25
Times: 752 (Customers charged single rate) + 6 (3 customers charged 2 residential equivalents) = 758	758
12 months	<u>12</u>
Pro forma revenue at current rates	102,330
Less: Test year	<u>(96,906)</u>
Adjustment - Increase	<u>5,424</u>

(B)

Pioneer had recorded a deferred deposit that was an asset of a related party.
Interest income accrued on these funds was paid to the related party and charged
to test year operating expenses of Pioneer. This amount was eliminated from test
year operations.

Adjustment - Decrease	<u>(1,589)</u>
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(C)

All amounts paid to Jim Walser have been limited to the \$3,600 owner manager fee
as traditionally allowed by the Commission in small sewer plant operations.

Pro forma	3,600
Less: Test year	<u>(20,000)</u>
Adjustment - Decrease	<u>(16,400)</u>
Eliminate retirement contribution on Mr. Walser's behalf	<u>(2,000)</u>

(D)

Depreciation taken on the "1995 plant addition" was limited to the amount that was
not contributed by unrelated developers.

Annual depreciation expense taken on "1995 plant addition" as itemized on the
depreciation schedule shown at Attachment B of application:

12/93 Plant addition in progress	1,700
7/94 Plant addition/engineering	143
1995 Plant addition/engineering	889
1996 Plant addition-building permit	28
1996 Plant addition-site prep	800
1996 Plant addition - plans & specs	400
1996 Plant addition- acct psc filings	89
1996 Plant addition - surveying	12
1997 Plant addition	<u>8,870</u>
Annual depreciation taken on "1995 plant addition"	<u>12,931</u>
Contributions in aid of construction of "1995 plant addition"	125,896
Divide by: Cost of "1995 plant addition"	<u>323,472</u>
Percent contributed	<u>38.92%</u>
Depreciation expense eliminated (\$12,931 x 38.92%)	<u>(5,033)</u>

Attachment A

Pioneer Village Plant #1
Adjusted Operating Income Statement, Calculation of Revenue Requirement, and
Explanation of Adjustments

(E)
Payroll taxes have been reduced to reflect the elimination of Mr. Waiser's salary in
item C.

Salary eliminated	16,400
Divided by: Test year	<u>20,000</u>
Percent eliminated	82%
Times: Test year payroll taxes	<u>1,610</u>
Adjustment - Decrease	<u><u>(1,320)</u></u>

(F)
Interest based on five year average.

Year	Interest to be Paid
2000	16,541
2001	15,732
2002	14,895
2003	13,978
2004	<u>13,014</u>
Total	74,160
Divide by: 5	<u>5</u>
Five year average	<u><u>14,832</u></u>

PIONEER VILLAGE PLANT #1
FIXED ASSETS
DETAILED SCHEDULE
PSC FILE

DATE	DESCRIPTION	COST	METHOD	ACC DEPR 12/31/96	CURRENT EXPENSE	ACC DEPR 12/31/97	CURRENT EXPENSE	ACC DEPR 12/31/98
A/C #253	COLLECTION SEWERS - GRAVITY							
	FULLY DEPRECIATED ASSETS	163108.96		163108.96		163108.96		163108.96
1978	TRUNKS AND LATERALS	39031.99	S/L 15	39031.99		39031.99		39031.99
1983	EQUIPMENT	319.16		319.16		319.16		319.16
1/83	SEWER LINES	1259.90	S/L 15	1176.00	83.90	1259.90		1259.90
1/84	SEWER LINES	427.48	S/L 15	370.50	28.50	399.00	26.46	427.48
1/87	SEWER LINES	1264.90	S/L 15	857.50	85.75	943.25	85.75	1029.00
1/88	SEWER LINES	3374.89	S/L 15	2585.25	287.25	2872.50	287.25	3159.75
	TOTAL A/C 253	208807.28		207449.36	485.40	207934.76	401.48	208336.24
A/C 254	TREATMENT AND DISPOSAL PLANT							
	FULLY DEPRECIATED ASSETS	170777.98		170777.98		170777.98		170777.98
6/87	EUBANKS (DIFFUSER)	151.00	S/L 5	151.00		151.00		151.00
6/88	FLOWMETER	787.25	MACRS 5	787.25		787.25		787.25
2/89	B & W CHAIRLIFT	113.75	MACRS 5	113.75		113.75		113.75
5/89	AIR SYSTEM BLOWER	622.13	S/L 5	622.13		622.13		622.13
11/89	CHLORINATOR	963.38	S/L 5	963.38		963.38		963.38
6/76	SEWER PLANT	31523.50	S/L 20	31523.50		31523.50		31523.50
6/74	ROAD & FENCE	768.25	S/L 10	768.25		768.25		768.25
6/75	IMPROVEMENTS	481.50	S/L 10	481.50		481.50		481.50
6/80	IMPROVEMENTS	471.50	S/L 20	380.50	23.50	404.00	23.50	427.50
6/83	ROOF-SEWER PLANT	1625.00	S/L 15	1525.00	100.00	1625.00		1625.00
4/87	BUILDING IMPROVEMENTS	56.25	S/L 20	28.00	2.75	30.75	2.75	33.50
1/90	WIRING-SECURITY LIGHT	181.25	S/L 15	102.38	15.11	117.49	15.11	132.60
1/90	SECURITY LIGHT	67.29	S/L 15	38.02	5.61	43.63	5.61	49.24
5/90	PROBE ASSEMBLY	152.55	S/L 15	67.57	10.17	77.74	10.17	87.91
7/91	BLOWERS	2932.65	S/L 5	2932.65		2932.65		2932.65
1991	GENERAL METALS	3701.52	S/L 5	3701.52		3701.52		3701.52
5/92	CHLORINATOR	1127.48	S/L 5 HY	1014.75	112.73	1127.48		1127.48
9/93	SPROCKETS, CHAINS & BEARINGS	8751.15	S/L 15	1361.29	388.94	1750.23	388.94	2139.17
12/93	PLANT ADDITION IN PROGRESS	42500.00	S/L 25 HY		850.00	850.00	1700.00	2550.00
7/94	PLANT ADDITION/ENGINEERING	3570.00	S/L 25 HY		71.40	71.40	142.80	214.20
11/94	SPROCKETS, CHAINS & BEARINGS	3619.80	S/L 15 HY	603.20	241.28	844.48	241.28	1085.76
1995	PLANT ADDITION/ENGINEERING	22213.30	S/L 25 HY		444.27	444.27	888.55	1332.80
1996	PLANT ADDITION-BUILDING PERMIT	680.00	S/L 25 HY		13.60	13.60	27.60	41.20
1996	PLANT ADDITION-SITE PREP	19992.50	S/L 25 HY		399.85	399.85	799.70	1199.55
1996	PLANT ADDITION-PLANS & SPECS	10000.00	S/L 25 HY		200.00	200.00	400.00	600.00
1996	PLANT ADDITION-ACCT PSC FILINGS	2460.00	S/L 25 HY		49.20	49.20	98.40	138.60
1996	PLANT ADDITION- SURVEYING	300.00	S/L 25 HY		6.00	6.00	12.00	18.00
1997	PLANT ADDITION	221755.79	S/L 25 HY		4435.12	4435.12	8870.23	13305.35
12/97	METER- LIFT STATION	1895.00	S/L 25 HY		63.17	63.17	126.33	189.50
1/98	REBUILT DRIVESHAFT	657.90	S/L 15 HY				21.93	21.93
3/98	2 - 6" VALVES	2303.30	S/L 15 HY				76.78	76.78
3/98	REBUILT SPROCKET	792.35	S/L 15 HY				26.41	26.41
5/98	REBUILT DRIVESHAFT	600.00	S/L 15 HY				20.00	20.00
11/98	STAINLESS STEEL PLATES	2940.00	S/L 15 HY				98.00	98.00
	TOTAL A/C 254	561535.32		217943.62	7432.70	225376.32	13987.07	239363.39

A/C #260 WATER LINES	8333.98	S/L 15	7546.00	555.50	8101.50	232.48	8333.98
TOTAL A/C 260	8333.98		7546.00	555.50	8101.50	232.48	8333.98

A/C #262 PUMPING ELECTRIC EQUIPMENT

FULLY DEPRECIATED ASSETS	12225.68		12225.68		12225.68		12225.68
11/89 PUMP	344.63	S/L 10	246.98	34.46	281.44	34.46	315.90
2/94 BLOWER	5000.00	S/L 5 HY	2250.00	1000.00	3250.00	1000.00	4250.00
3/94 TRANSFORMER	1323.73	S/L 5	461.87	264.75	726.62	264.75	991.37
12/94 METAL DETECTOR	471.70	S/L 5	188.68	94.34	283.02	94.34	377.36
2/96 REBUILT CONTROLS	1174.03	S/L 5	117.40	234.80	352.20	234.80	587.00
3/96 HEADER ASSEMBLY	1203.52	S/L 5	120.35	240.70	361.05	240.70	601.75
6/96 SILENCERS	3467.24	S/L 5	346.73	693.46	1040.19	693.46	1733.65
4/96 REBUILT MOTOR	295.06	S/L 5	29.05	58.10	87.15	58.10	145.25
4/96 REPAIR	1150.00	S/L 5	115.00	230.00	345.00	230.00	575.00
5/96 POULTRY FAN	313.76	S/L 5	31.37	62.74	94.11	62.74	156.85
5/96 REBUILT MOTOR	666.52	S/L 5	66.65	133.30	199.95	133.30	333.25
6/96 MOTOR	620.10	S/L 5	62.01	124.02	186.03	124.02	310.05
6/96 DISCFUSERS	681.16	S/L 5	68.12	136.24	204.36	136.24	340.60
7/96 REBUILT GRINDER	628.00	S/L 5	62.80	125.60	188.40	125.60	314.00
7/96 SNUBBERS	2252.76	S/L 5	225.28	450.56	675.84	450.56	1126.40
7/96 HYDRANT	690.07	S/L 5	69.01	138.02	207.03	138.02	345.05
8/96 COLLECTOR CHAIN	1082.50	S/L 5	108.25	216.50	324.75	216.50	541.25
9/96 REBUILT BLOWER	520.00	S/L 5	52.00	104.00	156.00	104.00	260.00
6/96 MOTOR	598.24	S/L 5	59.82	119.64	179.46	119.64	299.10
2/97 PUMP	1157.09	S/L 5 HY	115.71	115.71	115.71	231.42	347.13
5/97 MOTOR	830.46	S/L 5 HY	83.04	83.04	83.04	166.08	249.12
6/97 MOTOR	618.92	S/L 5 HY	61.89	61.89	61.89	123.78	185.67
6/97 STARTER	1389.46	S/L 5 HY	138.95	138.95	138.95	277.90	416.85
6/97 MOTOR	620.00	S/L 5 HY	62.00	62.00	62.00	124.00	186.00
7/97 BREAKER	923.67	S/L 5 HY	93.37	93.37	93.37	186.74	280.11
7/97 PUMP	270.30	S/L 5 HY	27.03	27.03	27.03	54.06	81.09
7/97 BEARINGS	2610.16	S/L 5 HY	261.02	261.02	261.02	522.04	783.06
7/97 BLOWER	7175.00	S/L 5 HY	717.50	717.50	717.50	1435.00	2152.50
9/97 BLOWER	2141.00	S/L 5 HY	214.10	214.10	214.10	428.20	642.30
9/97 GEARBOX	537.60	S/L 5 HY	53.76	53.76	53.76	107.52	161.28
11/97 MOTOR	850.92	S/L 5 HY	85.09	85.09	85.09	170.18	255.27
1/98 BALL PLUG	179.92	S/L 5 HY				17.99	17.99
3/98 MOTOR	999.44	S/L 5 HY				99.94	99.94
4/98 MOTOR	447.55	S/L 5 HY				44.76	44.76
TOTAL A/C 262	55460.19		16907.05	6374.69	23281.74	8450.84	31732.58

A/C #285 LAND

TOTAL A/C 280	3110.50		449846.03	14848.29	464694.32	23071.87	487766.19
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Total of All accounts 537,247.27 4

A/C #260 WATER LINES	8333.98	S/L 15	7546.00	555.50	8101.50	232.48	8333.98
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3/96 HEADER ASSEMBLY	1203.52	S/L 5	120.35	240.70	361.05	240.70	601.75
6/96 SILENCERS	3467.24	S/L 5	346.73	693.46	1040.19	693.46	1733.65
4/96 REBUILT MOTOR	295.06	S/L 5	29.05	58.10	87.15	58.10	145.25
4/96 REPAIR	1150.00	S/L 5	115.00	230.00	345.00	230.00	575.00
5/96 POULTRY FAN	313.76	S/L 5	31.37	62.74	94.11	62.74	156.85
5/96 REBUILT MOTOR	666.52	S/L 5	66.65	133.30	199.95	133.30	333.25
6/96 MOTOR	620.10	S/L 5	62.01	124.02	186.03	124.02	310.05
6/96 DISCFUSERS	681.16	S/L 5	68.12	136.24	204.36	136.24	340.60
7/96 REBUILT GRINDER	628.00	S/L 5	62.80	125.60	188.40	125.60	314.00
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8/96 COLLECTOR CHAIN	1082.50	S/L 5	108.25	216.50	324.75	216.50	541.25
9/96 REBUILT BLOWER	520.00	S/L 5	52.00	104.00	156.00	104.00	260.00
6/96 MOTOR	598.24	S/L 5	59.82	119.64	179.46	119.64	299.10
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6/97 MOTOR	620.00	S/L 5 HY		62.00	62.00	124.00	186.00
7/97 BREAKER	923.67	S/L 5 HY		93.37	93.37	186.74	280.11
7/97 PUMP	270.30	S/L 5 HY		27.03	27.03	54.06	81.09
7/97 BEARINGS	2610.16	S/L 5 HY		261.02	261.02	522.04	783.06
7/97 BLOWER	7175.00	S/L 5 HY		717.50	717.50	1435.00	2152.50
9/97 BLOWER	2141.00	S/L 5 HY		214.10	214.10	428.20	642.30
9/97 GEARBOX	537.60	S/L 5 HY		53.76	53.76	107.52	161.28
11/97 MOTOR	850.92	S/L 5 HY		85.09	85.09	170.18	255.27
1/98 BALL PLUG	179.92	S/L 5 HY				17.99	17.99
3/98 MOTOR	999.44	S/L 5 HY				99.94	99.94
4/98 MOTOR	447.55	S/L 5 HY				44.76	44.76
TOTAL A/C 262	55460.19		16907.05	6374.69	23281.74	8450.84	31732.58

A/C #285 LAND	3110.50						
TOTAL A/C 280			449846.03	14848.29	464694.32	23071.87	487766.19

Total of All accounts 537,247.27 4

Attachment C

Pioneer Village Plant #1
Calculation of Proposed Rate and Rate Comparison

Revenue Requirement as calculated in Attachment A	145,570.29
Divide by: Number of monthly bills as calculated at Item A of Attachment A	<u>758.00</u>
Annual revenue per customer	192.05
Divide by: 12 months	<u>12.00</u>
Proposed Monthly Rate	<u><u>16.00</u></u>
Rate Comparison	
Proposed Rate	16.00
Less: Current Rate	<u>11.25</u>
Increase \$	<u>4.75</u>
Increase %	<u><u>42.26%</u></u>

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC. 4846 BROWNSBORO CENTER ARCADE LOUISVILLE, KY 40207

STOCK YARDS BANK AND TRUST CO. 1040 E. MAIN ST. PO BOX 32890 LOUISVILLE, KY 40232

Loan Number 10201401 Date SEPTEMBER 15, 1997 Maturity Date SEP. 15, 2012 Loan Amount \$ 200,000.00 Renewal Of

BORROWER'S NAME AND ADDRESS

LENDER'S NAME AND ADDRESS

"I" includes each borrower above, joint and severally.

"You" means the lender, its successors and assigns.

For value received, I promise to pay to you, or your order, at your address listed above the PRINCIPAL sum of TWO HUNDRED THOUSAND AND NO/100* * * * * Dollars \$ 200,000.00

[X] Single Advance: I will receive all of this principal sum on SEPTEMBER 15, 1997. No additional advances are contemplated under this note.

[] Multiple Advance: The principal sum shown above is the maximum amount of principal I can borrow under this note. On I will receive the amount of \$ and future principal advances are contemplated.

Conditions: The conditions for future advances are

[] Open End Credit: You and I agree that I may borrow up to the maximum amount of principal more than one time. This feature is subject to all other conditions and expires on

[] Closed End Credit: You and I agree that I may borrow up to the maximum only one time (and subject to all other conditions).

INTEREST: I agree to pay interest on the outstanding principal balance from SEP. 15, 1997 at the rate of 9.000 % per year until SEPTEMBER 15, 2002

[X] Variable Rate: This rate may then change as stated below.

[X] Index Rate: The future rate will be EQUAL TO the following index rate: LENDER'S VARYING PRIME INTEREST RATE

[] No Index: The future rate will not be subject to any internal or external index. It will be entirely in your control.

[X] Frequency and Timing: The rate on this note may change as often as DAILY A change in the interest rate will take effect ON THE SAME DAY

[] Limitations: During the term of this loan, the applicable annual interest rate will not be more than % or less than % The rate may not change more than % each

Effect of Variable Rate: A change in the interest rate will have the following effect on the payments:

*** [X] The amount of each scheduled payment will change. [] The amount of the final payment will change.

[]

ACCRUAL METHOD: Interest will be calculated on a ACTUAL/360 basis.

POST MATURITY RATE: I agree to pay interest on the unpaid balance of this note owing after maturity, and until paid in full, as stated below:

[] on the same fixed or variable rate basis in effect before maturity (as indicated above).

[X] at a rate equal to 5% ABOVE LENDERS VARYING PRIME RATE.

[X] LATE CHARGE: If a payment is made more than 10 days after it is due, I agree to pay a late charge of 5% OF THE FULL AMT OF EACH SCHEDULED PAYMENT WITH A MINIMUM OF \$5

[X] ADDITIONAL CHARGES: In addition to interest, I agree to pay the following charges which [X] are [X] are not included in the principal amount above: ORIGINATION FEE \$2000.00

PAYMENTS: I agree to pay this note as follows:

[] Interest: I agree to pay accrued interest

[] Principal: I agree to pay the principal

[X] Installments: I agree to pay this note in 180 payments. The first payment will be in the amount of \$ 2,043.88 and will be due OCTOBER 15, 1997. A payment of \$2,043.88 will be due ON THE 15TH DAY OF EACH MONTH thereafter. The final payment of the entire unpaid balance of principal and interest will be due SEPTEMBER 15, 2012

ADDITIONAL TERMS:

THIS LOAN IS SECURED BY THE FOLLOWING SECURITY INTEREST.

PERSONAL GUARANTY SIGNED BY JAMES M. WALSER, AND JOHN H. WALSER, AND MARY SUZANNE WALSER DATED SEPTEMBER 15, 1997 IN THE AMOUNT OF \$200,000.00.

\$25.00 MINIMUM FINANCE CHARGE.

***ADJUSTED ANNUALLY ON THE ANNIVERSARY DATE OF THIS NOTE.

[X] SECURITY: This note is separately secured by (describe separate document by type and date): GA 09/15/97

(This section is for your internal use. Failure to list a separate security document does not mean the agreement will not secure this note.)

PURPOSE: The purpose of this loan is BUSINESS: EXPANSION OF SEWER PLANT

SIGNATURES: I AGREE TO THE TERMS OF THIS NOTE (INCLUDING THOSE ON PAGE 2). I have received a copy on today's date.

Signature for Lender

X JOE B. COOKSEY

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.

James M. Walser President JAMES M. WALSER, PRESIDENT

Form **1120**
Department of the Treasury
Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1998 or tax year

1998

beginning _____, and ending _____

A Check if a: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Temp. Regs. sec. 1.441-4T) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name PIONEER VILLAGE SEWER SYSTEM PT#1 INC	B Employer identification number 61-6030323
		Number, street, and room or suite no. (If a P.O. box, see page 5 of instructions.) 4846 BROWNSBORO CENTER ARCADE	C Date incorporated 06/10/1960
		City or town, state, and ZIP code LOUISVILLE, KY 40207	D Total assets (see page 5 of instructions) \$ 385619.

E Check applicable boxes: (1) Initial return (2) Final return (3) Change of address

Income	1 a Gross receipts or sales	130606.	b Less returns and allowances		c Bal	1c	130606.
	2 Cost of goods sold (Schedule A, line 8)					2	
	3 Gross profit. Subtract line 2 from line 1c					3	130606.
	4 Dividends (Schedule C, line 19)					4	
	5 Interest					5	684.
	6 Gross rents					6	
	7 Gross royalties					7	
	8 Capital gain net income (attach Schedule D (Form 1120))					8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)					9	
	10 Other income (attach schedule)					10	
	11 Total income. Add lines 3 through 10					11	131290.

Deductions	12 Compensation of officers (Schedule E, line 4)				12	20000.
	13 Salaries and wages (less employment credits)				13	
	14 Repairs and maintenance				14	
	15 Bad debts				15	564.
	16 Rents				16	1500.
	17 Taxes and licenses			See Statement 1	17	2862.
	18 Interest				18	17891.
	19 Charitable contributions				19	
	20 Depreciation (attach Form 4562)	20	21396.			
	21 Less depreciation claimed on Schedule A and elsewhere on return	21a			21b	21396.

Tax and Payments	22 Depletion				22	
	23 Advertising				23	
	24 Pension, profit-sharing, etc., plans				24	2000.
	25 Employee benefit programs				25	
	26 Other deductions (attach schedule)			See Statement 2	26	87416.
	27 Total deductions. Add lines 12 through 26				27	153629.
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11				28	-22339.
	29 Less: a Net operating loss deduction	29a	0.		29c	
	b Special deductions (Schedule C, line 20)	29b				
	30 Taxable income. Subtract line 29c from line 28				30	-22339.

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
	Signature of officer _____	Date _____ Title PRESIDENT
	Preparer's signature _____	Date 02/06/99 Check if self-employed <input type="checkbox"/> Preparer's social security number _____
	Firm's name (or yours if self-employed) and address JOHN L HESS, PSC 945 S FLOYD ST SUITE 100 LOUISVILLE, KY	EIN 61 1005564 ZIP code 40203

Schedule A Cost of Goods Sold (See page 10 of instructions.)

1 Inventory at beginning of year
2 Purchases
3 Cost of labor
4 Additional section 263A costs (attach schedule)
5 Other costs (attach schedule)
6 Total. Add lines 1 through 5
7 Inventory at end of year
8 Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2
9a Check all methods used for valuing closing inventory:
(i) Cost as described in Regulations section 1.471-3
(ii) Lower of cost or market as described in Regulations section 1.471-4
(iii) Other (Specify method used and attach explanation.)
b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c)
c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)
d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO
e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation?
f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation

Schedule C Dividends and Special Deductions

Table with 4 columns: (a) Dividends received, (b) %, (c) Special deductions (a) x (b). Rows include: 1 Dividends from less-than-20%-owned domestic corporations... 2 Dividends from 20%-or-more-owned domestic corporations... 3 Dividends on debt-financed stock... 4 Dividends on certain preferred stock of less-than-20%-owned public utilities... 5 Dividends on certain preferred stock of 20%-or-more-owned public utilities... 6 Dividends from less-than-20%-owned foreign corporations... 7 Dividends from 20%-or-more-owned foreign corporations... 8 Dividends from wholly owned foreign subsidiaries... 9 Total. Add lines 1 through 8... 10 Dividends from domestic corporations received by a small business investment company... 11 Dividends from certain FSCs... 12 Dividends from affiliated group members... 13 Other dividends from foreign corporations... 14 Income from controlled foreign corporations... 15 Foreign dividend gross-up... 16 IC-DISC and former DISC dividends... 17 Other dividends... 18 Deduction for dividends paid on certain preferred stock... 19 Total dividends. Add lines 1 through 17... 20 Total special deductions. Add lines 9, 10, 11, 12, and 18.

Schedule E Compensation of Officers Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

Table with 5 columns: (a) Name of officer, (b) Social security number, (c) Percent of time devoted to business, (d) Common, (e) Preferred, (f) Amount of compensation. Rows include: 1, 2 Total compensation of officers, 3 Compensation of officers claimed on Schedule A and elsewhere on return, 4 Subtract line 3 from line 2. Enter the result here and on line 12, page 1

Schedule J Tax Computation (See page 13 of instructions.)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) **X**
Important: Members of a controlled group, see instructions on page 13.
 If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets

2a (In that order):
 (1) \$ _____ (2) \$ _____ (3) \$ _____ 0.
 b Enter the corporation's share of:
 (1) Additional 5% tax (not more than \$11,750) \$ _____ 0.
 (2) Additional 3% tax (not more than \$100,000) \$ _____ 0.

3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see page 13) **3** 0.

4a Foreign tax credit (attach Form 1118) **4a**
 b Possessions tax credit (attach Form 5735) **4b**
 c Check: Nonconventional source fuel credit QEV credit (attach Form 8834) **4c**
 d General business credit. Enter here and check which forms are attached: 3800
 3468 5884 6478 6765 8586 8830 8826
 8835 8844 8845 8846 8820 8847 8861 **4d**
 e Credit for prior year minimum tax (attach Form 8827) **4e**

5 Total credits. Add lines 4a through 4e **5**
 6 Subtract line 5 from line 3 **6** 0.
 7 Personal holding company tax (attach Schedule PH (Form 1120)) **7**
 8 Recapture taxes. Check if from: Form 4255 Form 8611 **8**
 9 Alternative minimum tax (attach Form 4626) **9**
 10 Add lines 6 through 9 **10** 0.
 11 Qualified zone academy bond credit (attach Form 8860) **11**
 12 Total tax. Subtract line 11 from line 10. Enter here and on line 31, page 1 **12** 0.

Schedule K Other Information (See page 15 of instructions.)

	Yes	No		Yes	No
1 Check method of accounting: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) _____			7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 5471 for each such corporation. Enter number of Forms 5471 attached _____		<input checked="" type="checkbox"/> X
2 See page 17 of the instructions and state the: a Business activity code no. (NEW) 221300 b Business activity SEWER PLANT c Product or service SEWERAGE			8 At any time during the 1998 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country? If "Yes," the corporation may have to file Form TD F 90-22.1. If "Yes," enter name of foreign country _____		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (a) name and identifying number, (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.		<input checked="" type="checkbox"/> X	9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the corporation may have to file Form 3520 _____		<input checked="" type="checkbox"/> X
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter employer identification number and name of the parent corporation _____		<input checked="" type="checkbox"/> X	10 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes," a Enter percentage owned _____ b Enter owner's country _____ c The corporation may have to file Form 5472. Enter number of Forms 5472 attached _____		<input checked="" type="checkbox"/> X
5 At the end of the year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) Statement 3	<input checked="" type="checkbox"/> X		11 Check this box if the corporation issued publicly offered debt instruments with original issue discount _____ <input type="checkbox"/> If so, the corporation may have to file Form 8281.		
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned 55.00			12 Enter the amount of tax-exempt interest received or accrued during the tax year \$ _____		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.) If "Yes," file Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		<input checked="" type="checkbox"/> X	13 If there were 35 or fewer shareholders at the end of the tax year, enter the number 5		
			14 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here _____ <input type="checkbox"/>		
			15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) \$ 8		

Schedule L Balance Sheets per Books	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		30636.		9838.
2a Trade notes and accounts receivable	17932.		19481.	
b Less allowance for bad debts	()	17932.	()	19481.
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets				
7 Loans to stockholders				
8 Mortgage and real estate loans				
9 Other investments				
10a Buildings and other depreciable assets	464086.		473006.	
b Less accumulated depreciation	(112368.)	351718.	(133763.)	339243.
11a Depletable assets				
b Less accumulated depletion	()		()	
12 Land (net of any amortization)		3110.		3110.
13a Intangible assets (amortizable only)				
b Less accumulated amortization	()		()	
14 Other assets Stmt 3		15504.		13947.
15 Total assets		418900.		385619.
Liabilities and Stockholders' Equity				
16 Accounts payable		10783.		9897.
17 Mortgages, notes, bonds payable in less than 1 year				
18 Other current liabilities Stmt 4		11623.		1981.
19 Loans from stockholders				
20 Mortgages, notes, bonds payable in 1 year or more		198406.		191707.
21 Other liabilities				
22 Capital stock: a Preferred stock				
b Common stock	1000.	1000.	1000.	1000.
23 Additional paid-in capital				
24 Retained earnings - Appropriated (attach schedule)				
25 Retained earnings - Unappropriated		224088.		208034.
26 Adjustments to shareholders' equity				
27 Less cost of treasury stock		(27000.)		(27000.)
28 Total liabilities and stockholders' equity		418900.		385619.

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return			
1 Net income (loss) per books	-16054.	7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax	-6285.	Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):			
5 Expenses recorded on books this year not deducted on this return (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	
b Contributions carryover \$		b Contributions carryover \$	
c Travel and entertainment \$			
6 Add lines 1 through 5	-22339.	9 Add lines 7 and 8	
		10 Income (line 28, page 1) - line 6 less line 9	-22339.

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)			
1 Balance at beginning of year	224088.	5 Distributions: a Cash	
2 Net income (loss) per books	-16054.	b Stock	
3 Other increases (itemize):		c Property	
		6 Other decreases (itemize):	
4 Add lines 1, 2, and 3	208034.	7 Add lines 5 and 6	
		8 Balance at end of year (line 4 less line 7)	208034.

Form **4562**

Depreciation and Amortization
(Including Information on Listed Property)

OMB No. 1545-0172

1998

Attachment
Sequence No. 67

Department of the Treasury
Internal Revenue Service

▶ See separate instructions. ▶ Attach this form to your return.

Name(s) shown on return

Business or activity to which this form relates

Identifying number

PIONEER VILLAGE SEWERAGE SYSTEM #1, INC

FORM 1120

61-6030323

Part I Election To Expense Certain Tangible Property (Section 179) (Note: If you have any "listed property," complete Part V before you complete Part I.)

1	Maximum dollar limitation. If an enterprise zone business, see page 2 of the instructions	1	\$18,500
2	Total cost of section 179 property placed in service. See page 2 of the instructions	2	
3	Threshold cost of section 179 property before reduction in limitation	3	\$200,000
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see page 2 of the instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter amount from line 27.	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from 1997. See page 3 of the instructions	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 1999. Add lines 9 and 10, less line 12 ▶	13	

Note: Do not use Part II or Part III below for listed property (automobiles, certain other vehicles, cellular telephones, certain computers, or property used for entertainment, recreation, or amusement). Instead, use Part V for listed property.

Part II MACRS Depreciation For Assets Placed in Service ONLY During Your 1998 Tax Year (Do Not Include Listed Property.)

Section A—General Asset Account Election

14 If you are making the election under section 168(i)(4) to group any assets placed in service during the tax year into one or more general asset accounts, check this box. See page 3 of the instructions

Section B—General Depreciation System (GDS) (See page 3 of the instructions.)

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
15a 3-year property						
b 5-year property		8920	5	HY	SL	892
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property			39 yrs.	MM	S/L	

Section C—Alternative Depreciation System (ADS) (See page 5 of the instructions.)

16a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

Part III Other Depreciation (Do Not Include Listed Property.) (See page 6 of the instructions.)

17	GDS and ADS deductions for assets placed in service in tax years beginning before 1998	17	20504
18	Property subject to section 168(f)(1) election	18	
19	ACRS and other depreciation	19	

Part IV Summary (See page 6 of the instructions.)

20	Listed property. Enter amount from line 26.	20	
21	Total. Add deductions on line 12, lines 15 and 16 in column (g), and lines 17 through 20. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	21	21396
22	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	22	

Form 1120 Taxes and Licenses Statement 1

Description	Amount
LICENSE FEES	355.
PAYROLL TAXES	1610.
PROPERTY TAXES	1675.
Kentucky Taxes - Based on Income	-778.
Total to Form 1120, Line 17	2862.

Form 1120 Other Deductions Statement 2

Description	Amount
OPERATING SUPPLIES	1034.
TELEPHONE	603.
INSURANCE	908.
SLUDGE HAULING	9631.
GASOLINE	394.
TESTING	8365.
CHEMICALS	3666.
COLLECTION FEES	4943.
ACCOUNTING	3068.
MAINTENANCE	16309.
MANAGEMENT FEES	2400.
WATER	2061.
ELECTRICITY & GAS	25330.
CONTRACTED SERVICES	8458.
MOWING	185.
BANK CHARGES	61.
Total to Form 1120, Line 26	87416.

Schedule L	Other Assets	Statement	3
Description	Beginning of Tax Year	End of Tax Year	
TAX DEPOSITS	5114.	5114.	
TAX REFUNDS IN PROCESS	9476.	7473.	
PREPAID INSURANCE	914.		
PREPAID PERMIT FEE		1360.	
Total to Schedule L, Line 14	15504.	13947.	

Schedule L	Other Current Liabilities	Statement	4
Description	Beginning of Tax Year	End of Tax Year	
PAYROLL TAX PAYABLE	752.	754.	
ACCRUED INTEREST PAYABLE	767.	767.	
OTHER ACCRUED EXPENSES	804.	460.	
DEPOSIT - LINE RELOCATION	9300.		
Total to Schedule L, Line 18	11623.	1981.	

PIONEER VILLAGE SEWERAGE SYSTEMS PLANT I, INC
NET OPERATING LOSS SCHEDULE
12/31/98

61-603 0323

<u>NET OPERATING LOSS</u>	<u>FEDERAL</u>	<u>STATE</u>
FROM YEAR 12/31/98	22 339	23 117
CARRYBACK TO 12/31/95	< 5884 >	< 6129 >
CARRYBACK TO 12/31/96	<u>< 13805 ></u>	<u>< 13334 ></u>
CARRYFORWARD TO 12/31/99	<u><u>2650</u></u>	<u><u>3654</u></u>

APPORTIONMENT SCHEDULE

With respect to fiscal years which include December 31, 1998

The following taxpayers which are component members of a controlled group of corporations within the meaning of Sec. 1563 of the Internal Revenue Code of 1986 hereby consent to apportion the following items in the manner and amounts indicated below:

Schedule J, Line 2 (a):

61-6029501

MERRIFIELD ENTERPRISES, INC.

61-6024028

WALSER DEVELOPMENT CORPORATION

- 1) \$25,000.00
- 2) \$12,500.00

- 1) \$25,000.00
- 2) \$12,500.00

We consent to the above schedule of allocations:

CONTRYSIDE ENTERPRISES, INC.

61-6030322

JOHN A. WALSER, INC.

61-0486871

BY: James M. Walser

PRESIDENT

BY: James M. Walser

PRESIDENT

PIONEER VILLAGE SEWERAGE SYSTEM PLANT #1, INC.

61-6030323

WALSER DEVELOPMENT CORPORATION

61-6024028

BY: James M. Walser

PRESIDENT

BY: Mary Engelke

PRESIDENT

MERRIFIELD ENTERPRISES, INC.

61-6029501

BY: Mary Engelke

PRESIDENT

720 Kentucky Corporation Income and License Tax Return

(S Corporations Use Form 720S)

41A720
Commonwealth of Kentucky
REVENUE CABINET

▶ See separate instructions.

1998

Taxable period beginning **JAN 1**, 1998, and ending **DEC 31**, 1998

A Check applicable box(es). Income Tax Return <input checked="" type="checkbox"/> Separate entity <input type="checkbox"/> Consolidated <input type="checkbox"/> Return not required License Tax Return <input checked="" type="checkbox"/> Separate entity <input type="checkbox"/> Consolidated <input type="checkbox"/> Return not required	Name of Corporation or Affiliated Group (Use preaddressed label; otherwise print or type.) PIONEER VILLAGE SEWER SYSTEM PT#1 INC <hr/> Number and Street 4846 BROWNSBORO CENTER ARCADE <hr/> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">City LOUISVILLE</td> <td style="width: 10%;">State KY</td> <td style="width: 20%;">ZIP Code 40207</td> <td style="width: 30%;">Telephone Number 502-895-4273</td> </tr> </table> <hr/> <table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">State and Date of Incorporation KY 06/10/1960</td> <td style="width: 20%;">Principal Business Activity in Kentucky SEWER PLANT</td> <td style="width: 20%;">Kentucky Business Code No. 221300</td> <td style="width: 20%;"></td> </tr> </table>	City LOUISVILLE	State KY	ZIP Code 40207	Telephone Number 502-895-4273	State and Date of Incorporation KY 06/10/1960	Principal Business Activity in Kentucky SEWER PLANT	Kentucky Business Code No. 221300		C Kentucky Account Number 014678 <hr/> D Federal Identification Number 61-6030323 <hr/> E Federal Business Code Number 221300
City LOUISVILLE	State KY	ZIP Code 40207	Telephone Number 502-895-4273							
State and Date of Incorporation KY 06/10/1960	Principal Business Activity in Kentucky SEWER PLANT	Kentucky Business Code No. 221300								
	B Name of Common Parent	Kentucky Account Number								

F Check if applicable: Initial return Final return Short-period return Change of name/address

PART I - TAXABLE INCOME COMPUTATION			
1. Federal taxable income (Form 1120, line 28; Form 1120A, line 24)	-22339.	9. Estimated payments	
ADDITIONS:		10. Extension payment	
2. Interest income (state and local obligations)		11. Prior year's credit	314.
3. State taxes based on net/gross income	-778.	12. License tax overpayment (Part III, line 23)	
4. Safe harbor lease adjustment		13. Income tax due	
5. Deductions attributable to nontaxable income		14. Income tax overpayment	314.
6. Other (attach schedule)		15. Credited to 1998 license tax	
7. Total (add lines 1 through 6)	-23117.	16. Claimed on 1999 estimate	
		17. Refunded	314.

PART II - INCOME TAX COMPUTATION		PART III - LICENSE TAX COMPUTATION	
SUBTRACTIONS:		1. Capital stock	
8. Interest income (U.S. obligations)		2. Paid-in or capital surplus	
9. Dividend income		3. Retained earnings - appropriated	
10. Federal work opportunity credit		4. Retained earnings - unappropriated	
11. Safe harbor lease adjustment		5. Mortgages, notes payable in less than 1 year	
12. Other (attach schedule)		6. Advances by affiliated companies	
13. Net income (line 7 less lines 8 through 12)	-23117.	7. Mortgages, notes payable in 1 year or more	
14. Taxable net income (attach Sch. A if applicable)	-23117.	8. Other liabilities	
15. Net operating loss deduction		9. Intercompany accounts	
16. Taxable net income (after NOLD)	-23117.	10. Other capital accounts	

PART II - INCOME TAX COMPUTATION			
		11. Less monies borrowed for inventory	
Taxable Net Income	Rate	12. Less KRS 136.071 deduction	
1. (a) First \$25,000	x 4%	13. Total capital (combine lines 1 through 12)	
Next		14. Apportionment fraction (attach Sch. A if applicable)	%
(b) \$25,000	x 5%	15. Capital employed subject to tax	
Next		16. Tax before credit (line 15 multiplied by .0021)	
(c) \$50,000	x 6%	17. License tax credit (maximum \$490)	
Next		18. License tax liability (minimum \$30)	
(d) \$150,000	x 7%	19. Extension payment	
All over		20. Income tax overpayment (Part II, line 15)	
(e) \$250,000	x 8.25%	21. License tax due	
2. Income tax liability (add lines 1(a) through (e))		22. License tax overpayment	
	0.	23. Credited to 1998 income tax	
3. Economic development tax credits		24. Credited to 1999	
(see instructions)		25. Refunded	
4. Unemployment tax credit			
5. Recycling/composting equipment tax credit			
6. Coal conversion tax credit			
7. Enterprise zone tax credit			
8. Net income tax liability			

TAX PAYMENT Income _____ License _____
SUMMARY Interest _____ Penalty _____ **TOTAL** _____

Make check(s) payable to Kentucky State Treasurer. Mail return with payment to Kentucky Revenue Cabinet, Frankfort, Kentucky 40620.

I, the undersigned, declare under the penalties of perjury, that I have examined these returns, including all accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete.

61-1005564
 JOHN L HESS, PSC
 945 S FLOYD ST SUITE 100
 LOUISVILLE, KY 40203

Signature of principal officer or chief accounting officer _____ Date _____ Name and Social Security or federal identification number of person or firm preparing return _____

(1998)

SCHEDULE Q - KENTUCKY CORPORATION QUESTIONNAIRE

IMPORTANT: Questions 4 - 12 must be completed by all corporations. If this is the corporation's initial return or if the corporation did not file a return under the same name and same federal I.D. number for the preceding year, questions 1, 2 and 3 must be answered. Failure to do so may result in a request for a delinquent return.

1. Indicate whether: (a) completely new business; (b) successor to previously existing business which was organized as: (1) corporation; (2) partnership; (3) sole proprietorship; or (4) other

If successor to previously existing business, give name, address and federal I.D. number of the previous business organization.

2. List the following Kentucky account numbers. Enter N/A for any number not applicable.

Employer Withholding _____

Sales and Use Tax Permit _____

Consumer Use Tax _____

Unemployment Insurance _____

Coal Severance and/or Processing Tax _____

3. If a foreign corporation, enter the date qualified to do business in Kentucky.

6. Did any corporation, individual, partnership, trust or association at any time during the taxable year own 50 percent or more of the corporation's voting stock? Yes No

If "Yes," attach a schedule listing the name, address and federal I.D. number of the entity.

7. If the corporation has a KNOL for the taxable year and is electing to forego the net operating loss carryback period, check here .

8. Is the corporation a partner in a partnership doing business in Kentucky? Yes No

If "Yes," list name and federal I.D. number of the partnership

Did the corporation have property or payroll in Kentucky, other than partnership property or payroll? Yes No

9. Was this return prepared on: (a) cash basis, (b) accrual basis, (c) other _____

10. Is the corporation a public service corporation subject to taxation under KRS 136.120? Yes No

11. (a) Did the corporation file a Kentucky intangible property tax return for January 1, 1999? Yes No

(b) Did the corporation file a Kentucky tangible personal property tax return for January 1, 1999? Yes No

12. Is the corporation currently under audit by the Internal Revenue Service? Yes No

If "Yes," enter years under audit _____

If the Internal Revenue Service has made final and unappealable adjustments to the corporation's taxable income which have not been reported to this Cabinet, check here and file Form 720X, Amended Kentucky Corporation Income Tax and Corporation License Tax Return, for each year adjusted and attach a copy of the final determination.

4. The corporation's books are in care of: (name and address)

JAMES WALSER

CO ADDRESS

5. Did the corporation at any time during the taxable year own 50 percent or more of the voting stock of another corporation, either domestic or foreign?

Yes No

OFFICER INFORMATION (Failure to Provide Requested Information May Result in a Penalty)

President's Name: JAMES M WALSER

President's Address: LOUISVILLE, KY 40207

President's Social Security Number: 405-76-4644

Vice President's Name: _____

Vice President's Address: _____

Vice President's Social Security Number: _____

Treasurer's Name: _____

Treasurer's Address: _____

Treasurer's Social Security Number: _____

Secretary's Name: _____

Secretary's Address: _____

Secretary's Social Security Number: _____

PUBLIC PROTECTION AND REGULATION CABINET
Public Service Commission

807 KAR 5:076. Alternative rate adjustment procedure for small utilities.

RELATES TO: KRS Chapter 278
STATUTORY AUTHORITY: KRS 278.040, 278.160, 278.180, 278.185, 278.190, 278.310

NECESSITY AND FUNCTION: This regulation provides a simplified and less expensive procedure by which small utilities may apply to the commission for rate increases. A small utility may apply for rate adjustments using the formal procedure outlined in 807 KAR 5:001 or by using the procedure prescribed in this administrative regulation, which is intended to minimize the need for formal hearings, to reduce filing requirements, and in many cases to shorten the time period between application and commission order.

Section 1. Utilities Permitted to File Application. Any utility with 500 or fewer customers or \$300,000 or less gross annual revenue may apply for an adjustment of rates using the procedure described below. The applicant shall have maintained adequate financial records fully separated from any commonly-owned enterprise and shall have on file with the commission fully completed annual reports for the immediate past year and for the two (2) prior years if the applicant has been in existence that long.

Section 2. The Record upon which Decision will be Made. Unless a hearing is held the commission shall make its decision based on the:

(a) annual reports of the applicant for the immediate past year and for the two (2) prior years, if the applicant has been in existence that long;

(b) application;

(c) information supplied by the applicant in response to requests submitted by the intervenors and the commission; and

(d) written reports submitted by commission staff subsequent to field review, if one is conducted.

Section 3. Application. The applicant shall obtain from the Executive Director of the Public Service Commission, 730 Schenkel Lane, Frankfort, Kentucky 40601, the alternative rate adjustment application form. The applicant shall complete the form, attach any documents requested, and submit one original and ten (10) copies to the Executive Director of the Commission and one (1) copy to the Public Service Litigation Branch, Office of the Attorney General, Post Office Box 2000, Frankfort, Kentucky 40602-2000, together with one (1) copy of each of the three (3) annual reports. An applicant may, in writing, request commission assistance in preparing the application.

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Section 4. Notice to Customers of Proposed Rate Changes. (1) If the applicant has twenty (20) or fewer customers, it shall mail written notice of the proposed rate changes and the estimated amount of increase per customer class to each customer no later

than the date on which the application is filed with the commission. In addition, the applicant shall post at its place of business a sheet containing the information provided in the written notice to its customers.

(2) Except for sewer utilities, which must give notice pursuant to KRS 278.185, an applicant with more than twenty (20) customers shall post a sheet stating the proposed rates and the estimated amount of increase per customer class at its place of business and shall:

(a) include notice with customer bills mailed by the date the application is filed; or

(b) publish notice in a trade publication or newsletter that will be received by all customers by the date the application is filed; or

(c) publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication to be made by the date the application is filed.

(3) Each notice shall contain the following language: "The rates contained in this notice are the rates proposed by (name of utility). However, the Public Service Commission may order rates to be charged that are higher or lower than the rates proposed in this notice.

"Any corporation, association, body politic or person may request leave to intervene by motion within thirty (30) days after notice of the proposed rate changes is given. A motion to

intervene shall be in writing, shall be submitted to the Executive Director, Public Service Commission, 730 Schenkel Lane, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the motion, including the status and interest of the movant.

"Copies of the application may be obtained at no charge from (the applicant) at (the applicant's address).

"Upon request from an intervenor, the applicant shall furnish to the intervenor a copy of the application and supporting documents."

Section 5. Motion for Formal Hearing. Within ninety (90) days after the application has been filed, any party may file a written request for a formal hearing, setting forth grounds therefor.

Section 6. Notice of Hearing. If the commission orders a hearing, the applicant shall give notice as required by KRS 424.300. Newspaper notice shall be published once in a newspaper of general circulation in the applicant's service area no fewer than seven (7) and no more than twenty-one (21) days prior to the hearing. The notice shall state the purpose, time, place, and date of the hearing.

Section 7. Upon a showing of good cause, the commission may permit deviations from this regulation.

- (4) The commission may employ competent, qualified independent consultants to assist the commission in its review of the utility's plan of compliance as specified in subsection (2) of this section. The cost of any consultant shall be included in the surcharge approved by the commission.
- (5) The commission shall retain all jurisdiction granted by this section and KRS 278.020 to review the environmental surcharge authorized by this section and any complaints as to the amount of any environmental surcharge or the incorporation of any environmental surcharge into the existing base rate of any utility.

HISTORY: 1992 c 102, § 1, eff. 7-14-92

278.185 Notification to customers of proposed rate change by sewerage corporations

- (1) The Public Service Commission shall require that all sewerage corporations under its jurisdiction shall, when submitting an application for a rate change, notify all its customers of the application.
- (2) Notification to the customers of the rate change application shall be in writing and shall include an estimate of the probable financial impact upon the customers.
- (3) The cost of notifying customers of a rate change shall be borne by the sewerage corporation.
- (4) The commission shall make such reasonable rules and regulations as are deemed necessary to further the purpose of this section.

HISTORY: 1982 c 82, § 23, eff. 7-15-82
1978 c 379, § 25; 1976 c 82, § 1.

Penalty: 278.990(1)

CROSS REFERENCES

Rules governing water and sewage service, 807 KAR 5:006, 807 KAR 5:065, 807 KAR 5:066, 807 KAR 5:071

Changes in rate schedules, fuel adjustment clause, alternative rate adjustment procedure, 807 KAR 5:051, 807 KAR 5:056, 807 KAR 5:078

278.190 Procedure when new schedule of rates filed; suspension of new rate schedule; burden of proof; refunds

- (1) Whenever any utility files with the commission any schedule stating new rates, the commission may, upon its own motion, or upon complaint as provided in KRS 278.260, and upon reasonable notice, hold a hearing concerning the reasonableness of the new rates.
- (2) Pending the hearing and the decision thereon, and after notice to the utility, the commission may, at any time before the schedule becomes effective, suspend the operation of the schedule and defer the use of the rate, charge, classification, or service, but not for a longer period than five (5) months beyond the time when it would otherwise go into effect if an historical test period is used, or longer than six (6) months if a forward-looking test period is used, pursuant to KRS 278.192; and after such hearing, either completed before or after the rate, charge, classification, or service goes into effect, the commission may make those

orders with reference thereto as it deems proper in the matter. If the proceeding has not been concluded and an order made at the expiration of five (5) months, or six (6) months, as appropriate, the utility may place the proposed change of rate, charge, classification, or service in effect at the end of that period after notifying the commission, in writing, of its intention so to do. Where increased rates or charges are thus made effective, the commission may, by order, require the interested utility or utilities to maintain their records in a manner as will enable them, or the commission, or any of its customers, to determine the amounts to be refunded and to whom due in the event a refund is ordered, and upon completion of the hearing and decision may, by further order, require such utility or utilities to refund to the persons in whose behalf the amounts were paid that portion of the increased rates or charges as by its decision shall be found unreasonable. Provided, however, if the commission, at any time, during the suspension period, finds that the company's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the period, the commission may, after any hearing or hearings, permit all or a portion of the rates to become effective under terms and conditions as the commission may, by order, prescribe.

- (3) At any hearing involving the rate or charge sought to be increased, the burden of proof to show that the increased rate or charge is just and reasonable shall be upon the utility, and the commission shall give to the hearing and decision of such questions preference over other questions pending before it and decide the same as speedily as possible, and in any event not later than ten (10) months after the filing of such schedules.
- (4) If the commission, by order, directs any utility to make a refund, as hereinabove provided, of all or any portion of the increased rates or charges, the utility shall make the refund within sixty (60) days after a final determination of the proceeding by an order of the court or commission with or without interest in the discretion of the commission. If the utility fails to make the refund within sixty (60) days after the final determination, any party entitled to a refund may, after ten (10) days' written demand, bring an action in any court of competent jurisdiction of this state, and may recover, in addition to the amount of the refund due, legal interest, court costs, and reasonable attorney's fees. No such action may be maintained unless instituted within one (1) year after the final determination. Any number of persons entitled to refunds may join in as plaintiffs in a single action and the court shall render a judgment severally for each plaintiff as his interest may appear.

HISTORY: 1992 c 308, § 2, eff. 7-14-92
1984 c 111, § 123; 1982 c 242, § 2, c 82, § 24; 1978 c 379, § 26; 1952 c 46, § 2; 1942 c 208, § 1; KS 3952-16

Executive Order Note: 1998 c 114, § 1, eff. 7-15-98, confirmed Executive Order 97-1037, issued 8-15-97, which directed that in order to improve the efficiency of the operation of the Public Service Commission and make it easier for utilities to comply with the Commission's statutes and regulations and give citizens better access to the Commission's documents by consolidating all its filing requirements under one division, the Division of Filings is established within the Public Service Commission to be headed by a director with the title Secretary of the Commission appointed by the Executive Director of